

### Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	4.50	4.50	4.50	4.50	4.50	4.50	0.00	0.00 %
Personal Services	356,414	389,708	432,815	433,007	746,122	865,822	119,700	16.04 %
Operating Expenses	116,326	62,553	171,788	93,297	178,879	265,085	86,206	48.19 %
Local Assistance	3,516	16,464	14,266	14,266	19,980	28,532	8,552	42.80 %
<b>Total Costs</b>	<b>\$476,256</b>	<b>\$468,725</b>	<b>\$618,869</b>	<b>\$540,570</b>	<b>\$944,981</b>	<b>\$1,159,439</b>	<b>\$214,458</b>	<b>22.69 %</b>
General Fund	472,740	452,291	604,603	526,304	925,031	1,130,907	205,876	22.26 %
State/Other Special Rev. Funds	0	0	0	0	0	0	0	0.00 %
Federal Spec. Rev. Funds	3,516	16,434	14,266	14,266	19,950	28,532	8,582	43.02 %
<b>Total Funds</b>	<b>\$476,256</b>	<b>\$468,725</b>	<b>\$618,869</b>	<b>\$540,570</b>	<b>\$944,981</b>	<b>\$1,159,439</b>	<b>\$214,458</b>	<b>22.69 %</b>

### Program Description

The Director's Office provides overall leadership and management support to the Department of Administration's divisions and offers administrative support to attached boards and commissions. The office acts as a liaison among the agency's divisions, administratively attached boards and commissions, the cabinet, the legislature, and the Governor's office.

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- Legal
- Human resources
- Financial management
- Labor relations
- Project management and communication
- Continuity of government, emergency management, and homeland security

### Program Highlights

Director's Office Major Budget Highlights	
<ul style="list-style-type: none"> <li>• Overall costs for the division in HB 2 are proposed to increase 22.7%</li> <li>• The agency reorganized by moving the Office of Labor Relations to the Director's Office from the State Human Resources Division. The transfer included 3.5 FTE and \$0.4 million in appropriation authority</li> <li>• The Director's Office funding includes \$243.3 million in statutory appropriations over the 2017 biennium</li> </ul>	
Major LFD Issues	
<ul style="list-style-type: none"> <li>• Proposed statutory budgets for public employee retirement trust, mineral impact funds, and forest reserve fund do not reflect legislative estimates</li> <li>• Position vacant for two years included in the proprietary rates</li> <li>• Proposed rates do not reflect allocation method to state agencies</li> </ul>	

### Program Discussion -

#### *Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base*

The following table highlights the differences between the FY 2015 appropriations implemented by the executive compared to the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Administration Director's Office FY 2015 Appropriation Transactions					
Category	Legislative Appropriation	Category Adjustments	Program Transfers	Reorganization	Total Executive Implementation
Personal Services	\$62,443	\$0	\$19,852	\$327,265	\$409,560
Operating Expenses	12,053	0	500	50,500	63,053
Local Assistance	<u>16,464</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,464</u>
Total Costs	<u>\$90,960</u>	<u>\$0</u>	<u>\$20,352</u>	<u>\$377,765</u>	<u>\$489,077</u>

As shown in the figure above, DOA transferred the Office of Labor Relations with 3.5 FTE and \$327,265 supporting those positions. In addition \$50,500 in operating costs were also transferred. Additional components of the reorganization were included in the proprietary funded programs within the Director's Office and are discussed in the "Proprietary Rate" section of the narrative.

In addition, the agency transferred 0.46 FTE and associated personal services and operating costs from the State Human Resources Division to the Director's Office.

#### *Comparison of the FY 2014 Actual Expenditures to FY 2015 Legislative Appropriations*

Actual FY 2014 expenditures are \$385,300 higher than the FY 2015 legislative appropriation. Primary reasons for the difference are due to the reorganization of the function within the Director's Office and the transfer of authority.

#### *Executive Request*

The program budget comparison tables reflect the reorganization implemented by the executive as it impacted HB 2 appropriations. It should be note that HB 2 is less than 1% of the total program budget. The executive proposes \$250.4

million in total appropriations for the Director's Office in the 2017 biennium. \$193.1 million of the proposed funding is included as statutory appropriations from the general fund including:

- Debt service for bond issues
- Local government and school district public employee retirement contributions
- Teachers' retirement contributions
- Public employee retirement contributions generated from coal severance taxes and interest on the coal tax trust deposited into the general fund

The figure on the following page shows the FY 2014 actual spending for statutory appropriations in the Director's Office and the 2017 biennium budget as proposed by the executive.

Department of Administration Statutory Funds			
	FY 2014	FY 2016	FY 2017
General Fund Transfers			
Debt Service	\$16,460,241	\$12,354,507	\$12,397,233
Local Government PERD Contribution	425,220	447,872	459,647
School District PERD Contribution	526,772	688,871	787,763
TRS GABA	820,871	893,000	928,000
TRS Supplemental Contribution	42,034,705	45,683,000	47,550,000
Public Employees Retirement Trust	<u>35,744,619</u>	<u>35,744,719</u>	<u>35,744,719</u>
Total General Fund Transfers	96,012,428	95,811,969	97,867,362
State Special Revenues			
Mineral Impact	11,428,817	9,017,559	9,017,559
Federal Revenues			
Taylor Grazing	104,721	104,721	104,721
Forest Reserve Shared	<u>18,782,806</u>	<u>18,790,040</u>	<u>18,790,040</u>
Total Federal Revenues	18,887,527	18,894,761	18,894,761
Total Statutory Appropriations	<u>\$126,328,772</u>	<u>\$123,724,289</u>	<u>\$125,779,682</u>

As shown, general fund transfers for debt service have declined by \$4.1 million annually between FY 2014 and the 2017 biennium due to refinancing of various bond issues. Offsetting this reduction, the required contributions for the Teacher's Retirement System supplemental contribution increase \$3.6 million in FY 2016 and \$5.5 million in FY 2017 when compared to FY 2014.

**LFD  
ISSUE**
**Proposed Statutory Budgets for Public Employee Retirement Trust, Mineral Impact Funds, and Forest Reserve Shared Do Not Reflect Legislative Estimates**

The legislature adopted revenue estimates for coal severance taxes and interest income deposited into the general fund and subsequently transferred to the pension employee retirement trust and mineral impact revenues as part of HJR 2.

The legislature's adopted revenue estimate for mineral impact revenues was \$8.242 million in FY 2016 and \$8.186 million in FY 2017. As shown in the table above, the executive's estimates for this funding source are \$9.018 million each year of the biennium or \$776,000 higher than the estimate in FY 2016 and \$832,000 in FY 2017. Estimates for coal severance taxes and trust interest are also included as part of the revenue estimates. In FY 2016 the legislature's estimate of the total

amount to be transferred to the public employees retirement trust is \$35.607 million in FY 2016 and \$37.612 million in FY 2017. The executive's proposed budget is below the legislative estimate by \$167,719 in FY 2016 and \$1,837,281 in FY 2017.

Finally, the federal forest reserve fund is composed of two federal sources: 1) 25% of the value of the timber sold averaged over the prior three years; and 2) Secure rural school payments. On December 16, 2014 federal legislation was passed and approved to fund the federal government through next September 30, 2015. The bill does not include \$330 million for the Secure Rural School Program. Although the Montana Congressional delegation has indicated it will work to have the program reinstated, at this time ongoing funding for the program is not being provided. Additional estimates will need to be completed to determine the amount of funding Montana would receive if payments are based solely on the value of timber sold.

#### Legislative Option

If the legislature wishes to ensure that the overall division budget accurately reflects costs associated with the program it may request the division provide update estimates of costs for the program given the adopted revenue estimates and the projected shortfall in forest reserve shared funding.

### Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Administration, 01-Director's Office Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,130,907	0	187,698,339	188,829,246	75.40 %
02317 Financial Advisor Fees	0	0	0	0	0.00 %
02518 State Daycare Program	0	0	0	0	0.00 %
02858 Mineral Impact	0	0	18,035,118	18,035,118	100.00 %
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$18,035,118</b>	<b>\$18,035,118</b>	<b>7.20 %</b>
03095 Taylor Grazing Act Dist.	0	0	209,442	209,442	0.56 %
03369 Flood Control Payments	28,532	0	0	28,532	0.08 %
03425 Forest Reserve Shared Revenue	0	0	37,349,138	37,349,138	99.37 %
<b>Federal Special Total</b>	<b>\$28,532</b>	<b>\$0</b>	<b>\$37,558,580</b>	<b>\$37,587,112</b>	<b>15.01 %</b>
06534 Management Services	0	4,527,562	0	4,527,562	75.81 %
06535 Continuity Emergency Mgmt	0	1,444,525	0	1,444,525	24.19 %
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$5,972,087</b>	<b>\$0</b>	<b>\$5,972,087</b>	<b>2.38 %</b>
<b>Total All Funds</b>	<b>\$1,159,439</b>	<b>\$5,972,087</b>	<b>\$243,292,037</b>	<b>\$250,423,563</b>	

The majority of the office functions are supported by proprietary funds. These funds are considered and approved as rates charged to other divisions in the agency and are discussed in the "Proprietary Rates" section of the narrative.

Within HB 2 general fund provides funding for:

- Board of County Printing
- Burial Preservation Board
- General management and legal support for statewide functions

Federal revenues support administrative functions that support the allocation of federal flood control payments.

### Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
-----General Fund-----					-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	74,526	74,526	149,052	13.18 %	90,960	90,960	181,920	15.69 %
PL Adjustments	530,077	451,778	981,855	86.82 %	527,909	449,610	977,519	84.31 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$604,603</b>	<b>\$526,304</b>	<b>\$1,130,907</b>		<b>\$618,869</b>	<b>\$540,570</b>	<b>\$1,159,439</b>	

### Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----						-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	370,557	0	(185)	370,372	0.00	371,173	0	(609)	370,564
DP 99 - LEG. Present Law	0.00	159,520	0	(1,983)	157,537	0.00	80,605	0	(1,559)	79,046
Grand Total All Present Law Adjustments	0.00	\$530,077	\$0	(\$2,168)	\$527,909	0.00	\$451,778	\$0	(\$2,168)	\$449,610

### DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	4.50	\$2,187	\$0	\$0	\$2,187
Executive Implementation of 2015 Pay Increase		7,552	-	-	7,552
Fully Fund 2015 Legislatively Authorized FTE		1,199	-	-	1,199
Other					
Reorganization	0.00	327,265	-	-	327,265
Burial Board Per Diem	0.00	2,000	-	-	2,000
Remainder of Other	0.00	41,292	-	(185)	41,107
Total Other	0.00	359,619	-	(185)	359,434
Personal Services Present Law Adjustments	11.00	\$370,557	\$0	(\$185)	\$370,372
Personal Services Present Law Adjustments					
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	4.50	\$2,187	\$0	\$0	\$2,187
Executive Implementation of 2015 Pay Increase		7,552	--	--	7,552
Fully Fund 2015 Legislatively Authorized FTE		1,199	--	--	1,199
Other					
Reorganization	0.00	327,265	--	--	327,265
Burial Board Per Diem	0.00	2,000	--	--	2,000
Remainder of Other	0.00	41,908	-(609)	--	41,299
Total Other	6.50	360,235	-(609)	--	359,626
Personal Services Present Law Adjustments	11.00	\$371,173	\$0	(\$609)	\$370,564

The majority of the change in personal services is due to the reorganization bringing the Office of Labor Relations into the Director's Office. In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13, other changes include:

- Proficiency agreement progression and strategic pay increases granted throughout FY 2014 that are annualized for the 2017 biennium.
- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement

**LFD  
ISSUE**
Funding Is Not Contingent on Passage of Bill

22-3-804, MCA provides for the Burial Preservation Board. As currently written, statute does not provide for per diem for board members.

**Legislative Option**

If the legislature wants to provide support for per diem payments it may wish to make the appropriation contingent on the passage and approval of a bill allowing members to be paid for working on the Burial Preservation Board.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Flood Control	\$0	\$0	\$10,750	\$10,750
Reorganization	50,500	-	-	50,500
Other	109,020	-	(12,733)	96,287
Legislative Present Law Adjustments	\$159,520	\$0	(\$1,983)	\$157,537
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Flood Control	\$0	\$0	\$10,750	\$10,750
Reorganization	50,500	-	-	50,500
Other	30,105		(12,309)	
Legislative Present Law Adjustments	\$80,605	\$0	(\$1,559)	\$79,046

**Other Issues -****Proprietary Rates**

The Director's Office provides management services to other divisions within the agency as well as services for state agencies related to labor relations and continuity of government in the event of a major disruption.

**Proprietary Program Description**

The Director's Office provides legal, human resources, and financial management services to other divisions of the agency and the administratively attached boards and agencies. These include the:

- Office of Human Resources – processes payroll; assists with recruitment, selection, and orientation of new employees; classifies positions; and develops policies for the department
- Office of Legal Services – advises on legal matters
- Office of Finance and Budget – prepares and presents the biennial budget, processes budget change documents, monitors budgets for compliance with state law and legislative intent, and provides accounting assistance
- Continuity and Emergency Preparedness, and Security Program – prepares to manage and coordinate state government in the event of a major catastrophic disruption

**Director's Office (Management Services) - 06534***Program Description*

The Director's Office management services includes the offices of legal services, finance and budget, and human resources as well as the Director's Office. The figure below shows the costs associated with each of the various offices for the 2015 and 2017 biennia.

Department of Administration Director's Office Proprietary Program Costs						
Director's Office	Actuals FY 2014	Appropriated* FY 2015	Proposed FY 2016	% Change FY 2014	Proposed FY 2017	% Change FY 2014
FTE	5.00	6.00	5.00	0.00%	5.00	0.00%
Personal Services						
Salaries	\$395,112	\$401,894	\$393,218	-0.48%	\$391,718	-0.86%
Employee Benefits	67,752	61,784	65,256	-3.68%	65,397	-3.48%
Health Insurance	47,343	43,980	53,220	12.41%	53,220	12.41%
Vacancy Savings	<u>0</u>	<u>(18,717)</u>	<u>0</u>	0.00%	<u>0</u>	0.00%
Total Personal Services	510,207	488,941	511,694	0.29%	510,335	0.03%
Operating Expenses						
Other Services	32,470	50,300	32,566	0.30%	31,429	-3.21%
Supplies and Materials	15,268	25,309	15,348	0.52%	15,379	0.73%
Communications	10,734	7,269	11,092	3.34%	11,092	3.34%
Travel	3,463	1,420	3,411	-1.50%	3,418	-1.30%
Rent	12,106	12,883	14,367	18.68%	14,403	18.97%
Repair and Maintenance	680	16,606	833	22.50%	833	22.50%
Other Expenses	<u>14,772</u>	<u>18,737</u>	<u>14,898</u>	0.85%	<u>14,898</u>	0.85%
Total Operating Expenses	89,493	132,524	92,515	3.38%	91,452	2.19%
Total Expenditures	<u>\$599,700</u>	<u>\$621,465</u>	<u>\$604,209</u>	0.75%	<u>\$601,787</u>	0.35%



Office of Finance and Budget						
FTE	6.01	5.68	12.51	108.15%	12.51	108.15%
Personal Services						
Salaries	\$263,242	\$352,063	\$703,906	167.40%	\$702,375	166.82%
Employee Benefits	40,613	54,584	117,973	190.48%	118,415	191.57%
Health Insurance	39,965	52,776	142,630	256.89%	142,630	256.89%
Vacancy Savings	<u>0</u>	<u>(16,977)</u>	<u>0</u>	0.00%	<u>0</u>	0.00%
Total Personal Services	343,820	442,447	964,509	180.53%	963,420	180.21%
Operating Expenses						
Other Services	8,457	18,706	11,998	41.87%	11,918	40.92%
Supplies and Materials	7,373	4,073	7,387	0.19%	7,392	0.26%
Communications	6,089	4,928	6,447	5.88%	6,447	5.88%
Travel	0	0	0	0.00%	0	0.00%
Rent	10,180	10,712	25,883	154.25%	25,940	154.81%
Repair and Maintenance	1,001	1,009	2,023	102.10%	2,023	102.10%
Other Expenses	<u>55,714</u>	<u>4,938</u>	<u>60,308</u>	8.25%	<u>60,308</u>	8.25%
Total Operating Expenses	88,814	44,366	114,046	28.41%	114,028	28.39%
Total Expenditures	<u>\$432,634</u>	<u>\$486,813</u>	<u>\$1,078,555</u>	149.30%	<u>\$1,077,448</u>	149.04%
Office of Legal Services						
FTE	0.50	1.83	0.50	0.00%	0.50	0.00%
Personal Services						
Salaries	\$76,852	\$117,513	\$53,698	-30.13%	\$53,494	-30.39%
Employee Benefits	12,792	18,161	8,911	-30.34%	8,932	-30.18%
Health Insurance	7,132	17,592	6,386	-10.46%	6,386	-10.46%
Vacancy Savings	<u>0</u>	<u>(5,673)</u>	<u>0</u>	0.00%	<u>0</u>	0.00%
Total Personal Services	96,776	147,593	68,995	-28.71%	68,812	-28.90%
Operating Expenses						
Other Services	2,222	2,967	1,631	-26.60%	1,628	-26.73%
Supplies and Materials	1,433	3,348	1,433	0.00%	1,433	0.00%
Communications	832	618	832	0.00%	832	0.00%
Travel	0	0	0	0.00%	0	0.00%
Rent	1,388	0	1,388	0.00%	1,388	0.00%
Repair and Maintenance	121	0	121	0.00%	121	0.00%
Other Expenses	<u>5,060</u>	<u>4,664</u>	<u>4,634</u>	-8.42%	<u>4,560</u>	-9.88%
Total Operating Expenses	11,056	11,597	10,039	-9.20%	9,962	-9.90%
Total Expenditures	<u>\$107,832</u>	<u>\$159,190</u>	<u>\$79,034</u>	-26.71%	<u>\$78,774</u>	-26.95%

Office of Human Resources						
FTE	6.00	6.00	6.00	0.00%	6.00	0.00%
Personal Services						
Salaries	\$262,013	\$304,833	\$328,466	25.36%	\$328,472	25.36%
Employee Benefits	42,372	47,040	54,509	28.64%	54,837	29.42%
Health Insurance	50,535	61,572	74,508	47.44%	74,508	47.44%
Vacancy Savings	<u>0</u>	<u>(15,315)</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>
Total Personal Services	354,920	398,129	457,483	28.90%	457,817	28.99%
Operating Expenses						
Other Services	8,833	8,289	9,142	3.50%	9,111	3.15%
Supplies and Materials	6,385	6,944	6,386	0.02%	6,399	0.22%
Communications	9,020	6,681	9,378	3.97%	9,378	3.97%
Travel	655	0	649	-0.92%	650	-0.76%
Rent	9,438	10,012	11,044	17.02%	11,069	17.28%
Repair and Maintenance	495	1,306	678	36.97%	678	36.97%
Other Expenses	<u>7,452</u>	<u>7,367</u>	<u>9,016</u>	<u>20.99%</u>	<u>8,742</u>	<u>17.31%</u>
Total Operating Expenses	42,278	40,599	46,293	9.50%	46,027	8.87%
Total Expenditures	<u>\$397,198</u>	<u>\$438,728</u>	<u>\$503,776</u>	<u>26.83%</u>	<u>\$503,844</u>	<u>26.85%</u>

The 2013 Legislature approved rates that supported 19.51 FTEs funded by the revenues generated from the internal fees charged to the Department of Administration's divisions and its attached-to agencies. As shown in the figure on the previous page, the Director's Office is proposing to fund a reorganization in the Office of Finance and Budget, increasing personal services by 6.83 FTE, from 5.68 FTE to 12.51 FTE and costs by about \$1.0 million. The executive proposes transferring funding and FTE from the State Human Resources Division and the General Services Division. The added positions, FTE, and biennial costs include:

- Financial Operation Supervisor Manager – 1.00 FTE, \$198,166
- Accounting Technician – 2.50 FTE, \$277,540
- Budget Analyst – 1.0 FTE, \$149,729
- Payroll Technician – 1.00 FTE, \$79,201
- Accountant – 1.00 FTE, \$163,722
- Lawyer – 0.33 FTE, \$91,872

Costs for the Office of Finance and Budget increase by more than 149% when compared to the FY 2014 actual spending with the majority of the differences related to the reorganization.

#### *Revenue and Expenses*

Total revenues and expenses included in proprietary rates for the Director's Office are shown in the figure on the next page.

Department of Administration Director's Office Proprietary Program Costs								
Director's Office	Actuals FY 2014	Appropriated* FY 2015	Proposed FY 2016	% Change FY 2014	% Change FY 2015	Proposed FY 2017	% Change FY 2014	% Change FY 2015
Revenues	<u>\$1,625,563</u>	<u>\$1,989,859</u>	<u>\$2,104,776</u>	<u>24.08%</u>	<u>5.78%</u>	<u>\$2,044,775</u>	<u>25.79%</u>	2.76%
Expenditures								
FTE	17.51	19.51	24.01	37.12%	23.07%	24.01	37.12%	23.07%
Personal Services								
Salaries	\$997,219	\$1,176,302	\$1,479,288	48.34%	25.76%	\$1,476,059	48.02%	25.48%
Employee Benefits	163,529	181,570	246,649	50.83%	35.84%	247,581	51.40%	36.36%
Health Insurance	144,975	175,920	276,744	90.89%	57.31%	276,744	90.89%	57.31%
Vacancy Savings	<u>0</u>	<u>(56,682)</u>	<u>0</u>	<u>0.00%</u>	<u>-100.00%</u>	<u>0</u>	<u>0.00%</u>	<u>-100.00%</u>
Total Personal Services	1,305,723	1,477,110	2,002,681	53.38%	35.58%	2,000,384	53.20%	35.43%
Operating Expenses								
Other Services	51,982	80,262	55,337	6.45%	-31.05%	54,086	4.05%	-32.61%
Supplies and Materials	30,459	39,674	30,554	0.31%	-22.99%	30,603	0.47%	-22.86%
Communications	26,675	19,496	27,749	4.03%	42.33%	27,749	4.03%	42.33%
Travel	4,118	1,420	4,060	-1.41%	185.92%	4,068	-1.21%	186.48%
Rent	33,112	33,607	52,682	59.10%	56.76%	52,800	59.46%	57.11%
Repair and Maintenance	2,297	18,921	3,655	59.12%	-80.68%	3,655	59.12%	-80.68%
Other Expenses	<u>82,998</u>	<u>35,706</u>	<u>88,856</u>	<u>7.06%</u>	<u>148.85%</u>	<u>88,508</u>	<u>6.64%</u>	<u>147.88%</u>
Total Operating Expenses	231,641	229,086	262,893	13.49%	14.76%	261,469	12.88%	14.14%
Total Expenditures	<u>\$1,537,364</u>	<u>\$1,706,196</u>	<u>\$2,265,574</u>	<u>47.37%</u>	<u>32.79%</u>	<u>\$2,261,853</u>	<u>47.13%</u>	<u>32.57%</u>
Net Income (Loss)	<u>\$88,199</u>	<u>\$283,663</u>	<u>(\$160,798)</u>			<u>(\$217,078)</u>		

### Expenses

As shown, overall the costs for the Director's Office increase by more than 47% when compared to the FY 2014 base with the majority of the increases in personal services. As discussed in the agency summary, the change in the budgeting methodology for personal services results in an increase of \$237,000 in the 2017 biennium due to the elimination of vacancy savings without a corresponding reduction in FTE.

#### LFD ISSUE

#### Positions Vacant for Two Years Included in the Rates

Examination of positions that were vacant at the time of the budget submissions in FY 2013 and FY 2015 shows that two positions included in the rates for the Offices of Finance and Budget and Human Resources were vacant in both submissions:

- Auditor - 1.00 FTE, \$179,100 over the biennium
- Human Resource Specialist – 1.00 FTE, \$128,900 over the biennium

Based on the long-term vacancies it appears that these positions are not needed for operation of the two programs. The present law adjustments include changes to reinstate the funding for the vacant positions. Including the positions in the costs of the program that are allocated to the rates overstates the costs of the services. The legislature could eliminate funding for these positions, reducing overall program costs and at the same time mitigating the effects of the elimination of vacancy savings in this program.

#### Legislative Option

The legislature may wish to consider reducing the operational costs of the program for the 2.00 FTE that are not used and correspondingly reducing the rates for the functions to reflect the reduction in operational costs.

#### Revenues

All divisions of the agency and other agencies and boards designated as administratively attached use the services provided in the programs of the Director's Office. Administratively attached agencies or boards with staff to perform functions do not use some of the services and thus are not charged a fee. The revenues for this program are allocated in three ways: 1) the human resources function allocation is based on the annual amount per FTE served; 2) the legal unit a time used study; and 3) the remaining portion on the proportional size of the division budget to the total of all served.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: Director's Office			
	Fund	Fund Name					
	06534	Management Services					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>							
Fee and Charges							
Fee Revenue A		1,228,668	1,229,668	1,625,016	1,624,847	2,104,764	2,044,763
Fee Revenue B		12	36,797	547	12	-	-
<b>Total Operating Revenues</b>		1,228,680	1,266,465	1,625,563	1,624,859	2,104,764	2,044,763
<b>Expenses:</b>							
Personal Services		1,178,224	1,379,714	1,302,589	1,709,894	1,820,463	1,818,599
Other Operating Expenses		144,993	169,013	188,606	237,152	257,518	256,432
<b>Total Operating Expenses</b>		1,323,217	1,548,727	1,491,195	1,947,046	2,077,981	2,075,031
<b>Operating Income (Loss)</b>		(94,537)	(282,262)	134,368	(322,187)	26,783	(30,268)
<b>Nonoperating Revenues:</b>							
Other Revenue A		-	-	-	365,000	-	-
<b>Nonoperating Expenses:</b>							
<b>Total Nonoperating Revenues (Expenses)</b>		-	-	-	365,000	-	-
<b>Income (Loss) Before Contributions and Transfers</b>		(94,537)	(282,262)	134,368	42,813	26,783	(30,268)
<b>Transfers In</b>							
Transfers In		49,667	49,578	-	-	-	-
<b>Transfers Out</b>							
Transfers Out		-	-	(19,522)	-	-	-
<b>Change in Net Position</b>		(44,870)	(232,684)	114,846	42,813	26,783	(30,268)
<b>Beginning Net Position - July 1</b>		172,476	127,606	(105,078)	9,768	52,581	79,364
Change in Net Position		(44,870)	(232,684)	114,846	42,813	26,783	(30,268)
<b>Ending Net Position - June 30</b>		127,606	(105,078)	9,768	52,581	79,364	49,096
<b>Net Position (Fund Balance) Analysis</b>							

*Rate(s) and Rate Explanation*

The Director's Office proprietary fund requests that the legislature approve a "Total Allocation of Costs" of \$2,104,764 in FY 2016 and \$2,044,763 in FY 2017.

Requested Rates for Internal Service Funds Fee/Rate Information					
		Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:					
Management Fees	Services	1,625,016	1,624,847	2,104,764	2,044,763
Management Services requests that the Legislature approve a rate of \$2,104,764 in FY 2016 and \$2,044,763 in FY 2017 to provide revenue for all functions. These indirect administrative costs are allocated and charged to the programs within the agency and attached-to agencies served by Management Services to provide revenue to support centralized functions.					

The rate as proposed is below the overall costs of the program by \$160,811 in FY 2016 and \$157,089 in FY 2017. According to DOA this is due to reducing personal services costs by not funding 2.5 FTE in the rates. The rates approved by the legislature are the maximum the program may charge during the biennium. These rates reflect a net biennium increase of \$1.3 million from the expenditures of the 2015 biennium.

**LFD  
ISSUE**
Rates Proposed Do Not Reflect Allocation Method to Divisions

In previous biennia the legislature has approved a rate per FTE for the human resources functions of the Director's Office. In its explanation of cost allocations division staff indicated they will allocate costs for the Office of Human Resources to the agency divisions using this methodology. The executive proposes to eliminate this rate from legislative approval and use a fixed amount for allocation instead. This change in rate methodology leaves the rate per FTE charged to the divisions up to the executive to determine.

The rates for the Office of Human Resources as proposed by the executive would be:

Department of Administration Office of Human Resources				
	Actual FY 2014	Appropriated FY 2015	Proposed FY 2016	Proposed FY 2017
Annually per FTE	\$752	\$772	\$961	\$961

**Legislative Option**

If the legislature wishes to ensure the rate per FTE charged to divisions remains at a set amount it may consider establishing the rate in HB 2. It could also consider eliminating any funding supporting the vacant human resource specialist position.

**06535 Continuity, Emergency Preparedness and Security Program Proprietary**
*Program Description*

The Department of Administration is responsible for providing centralized management and coordination of the continuity, emergency preparedness, and security program for state agencies to ensure the ability to protect and recover essential

functions of state government in the event of a catastrophic loss. During FY 2014 DOA reorganized this function into the State Continuity and Emergency Management Office (SCEMO).

*Revenues and Expenses*

Total revenues and expenses included in proprietary rates for the Continuity and Emergency Management Office are shown in the figure on the following page.

Department of Administration Director's Office Proprietary Program Costs						
Director's Office	Actuals FY 2014	Appropriated* FY 2015	Proposed FY 2016	% Change FY 2014	Proposed FY 2017	% Change FY 2014
Continuity and Emergency Management**						
Revenues	\$552,134	\$636,581	\$725,967	31.48%	\$725,967	31.48%
Expenditures						
FTE	5.00	5.00	5.00	0.00%	5.00	0.00%
Personal Services						
Salaries	301,769	N/A	409,369	35.66%	410,486	36.03%
Employee Benefits	49,899	N/A	67,934	36.14%	68,533	37.34%
Health Insurance	36,814	N/A	53,220	44.56%	53,220	44.56%
Vacancy Savings	<u>0</u>	<u>N/A</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>
Total Personal Services	388,482	376,924	530,523	36.56%	532,239	37.00%
Operating Expenses						
Other Services	18,901	N/A	22,932	21.33%	21,900	15.87%
Supplies and Materials	25,367	N/A	25,374	0.03%	25,377	0.04%
Communications	4,447	N/A	6,420	44.37%	6,420	44.37%
Travel	32	N/A	28	-12.50%	28	-12.50%
Rent	59,061	N/A	70,329	19.08%	70,370	19.15%
Repair and Maintenance	44,168	N/A	44,895	1.65%	44,895	1.65%
Other Expenses	<u>11,006</u>	<u>N/A</u>	<u>11,006</u>	<u>0.00%</u>	<u>11,006</u>	<u>0.00%</u>
Total Operating Expenses	162,982	176,557	180,984	11.05%	179,996	10.44%
Total Expenditures	<u>\$551,464</u>	<u>\$553,481</u>	<u>\$711,507</u>	<u>29.02%</u>	<u>\$712,235</u>	<u>29.15%</u>
Net Income (Loss)	<u>\$670</u>	<u>\$83,100</u>	<u>\$14,460</u>		<u>\$13,732</u>	
* Effects of FTE transfers not included, adjusted for HB 13 and HB 454						
** Because office was created through a reorganization, the budgeting system does not include amounts beyond first level expenditures for this program.						

As shown, expenses for the program are projected to increase over 29% compared to the FY 2014 actual spending. The majority of the cost increases are in two categories:

- Personal services
- Rent

**LFD  
COMMENT**

Personal services increases for the 4.00 FTE transferred from other divisions are 14.4% above the amount provided through HB 13 in the 2017 biennium. In addition SCEMO reclassified 1.00 FTE paralegal assistant from the Office of Legal Services to an emergency management specialist. The reclassification increased the salary for the position by about \$114,900 over the 2017 biennium.



*Rate(s) and Rate Explanation*

SCEMO bills the State Information Technology Services Division (SITSD) and General Services Division (GSD) quarterly for their services. Because those two divisions are funded through charges on all state agencies, SCEMO is essentially funded from the same sources.

The executive proposes that SITSD pay \$525,000 and GSD pay \$200,967 annually in the 2017 biennium for this function.

<b>Requested Rates for Internal Service Funds</b>				
<b>Fee/Rate Information</b>				
	<b>Actual FY14</b>	<b>Budgeted FY15</b>	<b>Budgeted FY16</b>	<b>Budgeted FY17</b>
Fee Description:	552,134	636,581	725,967	725,967
Allocation to State Information Technology Services Division and General Services Division Internal Service Funds				